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SUBJECT: NIGERIA: PROPOSED POST-JEPC BILATERAL ECONOMIC COMMITTEE

1. This cable contains an action request in para 14.

2. During extensive discussions with GON officials late last year and throughout this month, including the President's Chief Economic Advisor (CEA), we have reached general agreement on a way forward on a post-JEPC arrangement. This new arrangement mixes elements of a new approach to economic cooperation with those elements of the former JEPC that should be continued. The JEPC focused almost exclusively on discussions regarding policy and institutional reform. This top-down perspective remains a major component of the new model. However, to stimulate actual business ventures and activities that demonstrate the benefits of reform, the new model weds the top-down with a bottom-up approach. Under this complementary arrangement, the proposed Economic Committee would form working groups on non-oil trade, direct investment, agricultural infrastructure and energy to identify and facilitate discrete projects and activities. This structure would require the identification of feasible projects/activities and would wed this identification to a focus on problem-solving in order to turn the feasible into actual progress on the ground.

3. To effectuate this new approach, the working groups would meet more frequently than the full Committee in order to achieve substantive progress on the concrete objectives in the enumerated sector. The Committee could meet periodically, for example, semi-annually or annually, while the working groups would convene as appropriate, perhaps monthly in Abuja and quarterly with some or all Washington participants.

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Time and Place  
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4. The initial meeting of the Lead Committee has been proposed for April 16-17 or May 7-8, 2002. Both sides agree to hold the first meeting in Washington to best serve the goal of maximizing high-level U.S. government and private sector participation.

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The Process  
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5. The Mission and GON have basically outlined the following sequence of preparations for the Washington session.

-- First, we have informally constituted a U.S.-GON preparatory committee comprised of U.S. Mission elements (Pol/Econ and USAID) and GON officials (CEA office, Commerce Ministry, Vice President's office).

-- Second, with Washington's assent, the Embassy will draft a working paper that outlines the concepts of the new JEPC. This paper will be shared with GON members of the preparatory committee and is intended to memorialize our mutual agreement to the new approach and to serve as the foundation for further preparations. The working paper will exactly mirror the information contained in this cable.

-- Third, after the GON endorses the working paper, the preparatory committee will hold meetings on the particular working groups to be recommended to the Lead Committee in Washington. For each working group, the preparatory committee will develop papers containing recommendations focusing on the projects for the working group and composition of the working group, i.e., what U.S. and Nigeria agencies will be members of which groups.

-- Fourth, the deliberations of the preparatory committee will also develop recommendations on the agenda and make-up of the delegation to the Lead Committee meeting. Additionally, it will make recommendations regarding private sector and state and local government participation in the Lead Committee sessions and for the working groups.

-- Fifth, the Lead Committee will meet. The Lead Committee is exactly what the name suggests -- it is the committee that provides overall policy guidance and the bureaucratic muscle needed to make this approach work. It is the Lead Committee that tasks the working groups and from which these working groups get their mandate. As such, the Lead Committee will discuss the framework issues of investment, trade, agriculture and energy, providing policy direction on how these issues should be pursued within the working groups. The Lead Committee will also discuss and approve/reject the recommendations made by the preparatory committee regarding the membership and mandate of the working groups, the projects/activities for each group and private sector and state government participation in the working group.

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Five Working Groups  
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16. The Mission and GON have preliminarily agreed to suggest five working groups to the Lead Committee. For each working group, the Committee would identify specific activities or case studies. For example, the Investment Working Group may be tasked with the case study of helping to revive the textile industry in Kano through domestic, U.S. or perhaps other foreign investment. By identifying obstacles to bringing in U.S. investment in textiles, the working group would develop solutions to problems in Kano as well as determine if these solutions have more general application in the Nigerian economy.

17. Each working group would have a core group of members from both the Nigerian and U.S. sides that would participate in all activities of that working group. Also, each group would have ancillary members agencies and persons who might be called to attend particular working group sessions dealing with an issues within that agency's or person's ken. The five suggested working groups are:

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Investment in Non-Oil Sectors  
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18. This working group would focus on identifying and bringing to fruition actual non-oil direct investment. Possibilities for this working group include investment in Kano's textile sector, Kaduna's solid minerals sector, and Nigeria's housing sector. The core working group would include the State Department, USAID and Department of Commerce on the U.S. side. The Office of the Vice President, Office of the Chief Economic Advisor, Ministry of Commerce and Nigerian Investment Promotion Council would form the core elements on the Nigerian side. To address a specific objective, such as Kano's textile sector, TDA, OPIC and EXIM might be involved on the U.S. side while the Kano State government would be involved on the Nigerian side.

19. Investment in Nigeria's housing sector is another specific objective that could be tasked to this working group. The lack of sufficient low- and medium-income housing in urban areas has become a major political issue for the Obasanjo Administration. Providing relief in this area would have a positive impact on the lives of average Nigerians and be viewed as a demonstrable 'democracy dividend'. TDA is currently reviewing a proposal to conduct a feasibility study on developing a secondary mortgage financing market. Based on the study's recommendations, the working group could assemble the know-how and provide impetus to move this project forward. In addition to the core working group participants, others working the housing issue might include Fannie Mae/Freddie Mac, OPIC and TDA on the U.S. side and the Ministry of Works and Housing on the Nigerian side.

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Bilateral Trade  
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110. The Committee might establish a working group to encourage the export of specific goods under AGOA, such as

footwear or leather. To support this objective, the Embassy has \$750,000 in ESF committed to conduct AGOA-related feasibility studies. These feasibility studies will support investment in industries that benefit from AGOA and could lead to the development of products for export. Core working group participants would include State, USAID, Commerce and USTR on the U.S. side and the Office of the CEA, Office of the Vice President, Ministry of Commerce and Export Promotion Council on the Nigerian side. Sectoral manufacturing associations would be included in the working group on an issue-specific basis.

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Agriculture Infrastructure  
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11. This committee would deal with non-trade, agriculture issues. To develop the agriculture sector, Nigeria must improve its agriculture infrastructure, such as feeder rural roads, increase capacity and productivity, pursue opportunities in biotechnology, and explore commodity trading and price stabilization methods. Core working group participants would include State, USAID and USDA on the U.S. side with the Office of the CEA, Office of the Vice President and Ministry of Agriculture on the Nigerian side. The Ministry of Science and Technology would be included in discussions regarding biotechnology. Additional working sub-groups may be included to address financial issues related to commodity trading and price stabilization

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Energy  
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12. Energy comprises the largest commercial component of the U.S.-Nigeria relationship. This working group would address bilateral energy issues as they arise. Specific topics might include Nigeria's oil exports to the U.S., deregulation and privatization of the power industry, opportunities for U.S. investment in power production and oil refining, and problems U.S. energy companies may be experiencing in Nigeria. Core working group members would include State, USAID, and Department of Energy on the U.S. side with the Office of the CEA, the Office of the President, the Ministry of Power and Steel and Nigerian National Petroleum Corporation (NNPC) on the Nigerian side. Additional working group participants would be invited on an as needed basis.

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Policy Reform and Implementation  
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13. This working group would deal primarily with policy issues that arise from the other four working groups. For example, if the Investment Working Group decided that a specific customs regulation governing the importation of cotton or yarn was prohibiting foreign investment, not just for this project but more generally in the textile sector, the Policy Reform Working Group would be informed and tasked with pushing that particular regulatory change through the national bureaucracy. It would also look at economic policy problems generated by the Lead Committee and private sector that cannot be properly addressed by other working groups. The participants will coordinate and implement policy reforms needed to achieve the specific objectives identified by the Economic Committee. Core working group members would include State and USAID on the U.S. side and the Office of the CEA and Office of the Vice President on the Nigerian side.

14. Action requested: Post requests the Department's approval of this amended concept for the U.S.-Nigerian Economic Committee. Once we have received Washington's approval, we will forward the working paper to the GON. Simultaneously, we will engage in a conversation with the GON and Washington that, as the process unfolds, will determine the specific agenda for the Lead Committee meeting as well as the specific role the USG agencies and the U.S. private sector, including the CCA, will have at the Lead Committee meeting and beyond.

Jeter